

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF COLUMBIA)	CASE NO. 10498-B
GAS OF KENTUCKY, INC.)	

INTERIM ORDER

On October 17, 1989, the Commission issued its Order in Case No. 10498 approving certain adjustments in rates and providing under certain conditions for the further adjustments of such rates when the wholesale cost of gas is increased or decreased or a refund is received.

On August 3, 1990, Columbia Gas of Kentucky, Inc. ("Columbia") filed its revised semiannual gas cost adjustment ("GCA") which is to become effective September 1, 1990.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Columbia's notice of August 3, 1990 set out certain revisions in rates which Columbia proposed to place into effect, said rates being designed to pass on to its customers the wholesale decrease in gas cost from its suppliers which Columbia calculated to be in the amount of 25.13 cents per Mcf excluding take-or-pay billings.

As part of its GCA, Columbia included in its expected gas cost an amount to recover gas inventory charges ("GICs")

charged by Columbia Transmission Corporation ("Transmission"). On August 20, 1990, this Commission issued a data request in order to address certain basic policy and technical questions related to GIC recovery. On August 30, 1990, Columbia filed its response to the Commission's request for information. The Commission is not satisfied, based on Columbia's response, that the issue of the appropriateness of recovery of GIC charges through the GCA has been adequately investigated.

Columbia's expected gas cost, including the expected demand cost applicable to Rate Schedule FI and GSO customers, should, therefore, be recalculated exclusive of GIC charges and approved on an interim basis pending the Commission's final decision in this matter. The resulting wholesale decrease in gas cost should be \$4,727,608 or 26.94 cents per Mcf. Columbia's expected gas cost for the semi-annual period beginning September 1, 1990 should be recalculated as \$3.5624 per Mcf.

2. A hearing should be held to more fully investigate the issue of recovery of GIC charges. Columbia should be prepared to support its position that these charges should be recovered through the GCA and to address the attributes of Transmission's GIC in comparison to other forms of GICs.

3. Columbia's notice set out a Special Agency Service ("SAS") refund adjustment of .06 cents per Mcf. This adjustment returns a portion of Columbia's SAS revenues to its customers.

4. Columbia's notice set out a total supplier refund adjustment of 40.24 cents per Mcf. This adjustment is composed of 31.94 cents per Mcf from a previous adjustment and a current

adjustment of 8.3 cents per Mcf, which is calculated to return total supplier refunds on hand of \$1,455,731, including interest.

5. Columbia's notice set out an actual cost adjustment of (9.05) cents per Mcf to return previous overcollections to its customers. According to Columbia's August 30 response, the cost of gas purchased per books used in this calculation includes a projected GIC liability of \$366,683. This amount should be removed from the actual adjustment computation pending the Commission's final decision concerning GIC recovery. The computation exclusive of GIC liabilities yields an actual adjustment of (.1114) per Mcf.

6. Columbia's notice set out a balancing adjustment in the amount of (.01) cents per Mcf to reconcile previous balancing and actual adjustments.

7. Columbia's notice set out a fixed charge recovery rate of 11.39 cents per Mcf to recover pipeline contract reformation and take-or-pay charges from its customers.

8. Columbia's interim gas cost recovery rate of \$3.1618, which includes the fixed charge recovery rate, represents a decrease in retail rates of 40.79 cents per Mcf. This decrease is composed of the combined effect of the supplier decrease, actual cost, balancing and refund adjustments.

9. Columbia's interim adjustments in rates, under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 10498 dated October 17, 1989, are fair, just, and reasonable, in the public interest, and should be effective with gas supplied on and after September 1, 1990.

10. As part of its filing, Columbia proposed certain changes in its tariffs, specifically to Sheet No. 3, Rate Schedule GS; Sheet No. 4, Rate Schedule FI - Firm and Interruptible Gas Service; and Sheet No. 7-A, Rate Schedule DS - Delivery Service. These changes were proposed in order to accommodate the flow-through of GIC charges and should be suspended pending the Commission's decision regarding the recovery of GIC charges.

11. Columbia requested a waiver of its 30-day filing requirement. Pursuant to KRS 278.180, upon Columbia's showing of good cause, the request should be granted. The effective date of the decrease should be September 1, 1990.

IT IS THEREFORE ORDERED that:

1. The rates in the Appendix, attached hereto and incorporated herein, are fair, just, and reasonable, and are authorized to be effective with gas supplied on and after September 1, 1990.

2. Within 30 days of the date of this Order, Columbia shall file with this Commission its revised tariffs setting out the rates authorized herein.

3. A hearing is hereby scheduled in the Commission's office on September 20, 1990 at 1:30 p.m. in Hearing Room No. 1 to address the issue of the appropriate recovery of GICs.

4. The proposed tariff changes are hereby suspended for 5 months through January 31, 1991.

Done at Frankfort, Kentucky, this 31st day of August, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO 10498-B DATED 8/31/90

The following rates and charges are prescribed for the customers served by Columbia Gas of Kentucky, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

CURRENTLY EFFECTIVE BILLING RATES

	Base Rate Charge <u>\$</u>	Gas Cost Adjustment <u>1/</u> <u>\$</u>	Total Billing Rate <u>\$</u>
RATE SCHEDULE GS			
Customer Charge:			
Residential	4.40		4.40
Commercial or Industrial	11.00		11.00
Volumetric:			
First 2 Mcf/Month	1.4472	3.1618	4.6090
Next 48 Mcf/Month	1.4072	3.1618	4.5690
Next 150 Mcf/Month	1.3672	3.1618	4.5290
All Over 200 Mcf/Month	1.3272	3.1618	4.4890
Delivery Service:			
Demand Charge			
Demand Charge times			
Firm Mcf Volume in			
Customer Service Agreement		6.4955	6.4955
Firm	1.3272	.0576	1.3848
Interruptible	.9919	.0576	1.0495

RATE SCHEDULE FI

Customer Charge:	110.00		110.00
Customer Demand Charge:			
Demand Charge times			
Firm Mcf Volume in			
Customer Service			
Agreement		6.4955	6.4955
Commodity Charge-All			
Volumes	.4514	3.1618	3.6132
Delivery Service			
Interruptible:	.4421	.0576	.4997

RATE SCHEDULE IS

Customer Charge:	110.00		110.00
Commodity Charge:	.4514	3.1618	3.6132
Delivery Service:			
Interruptible	.4421	.0576	.4997

RATE SCHEDULE IUS

For all Volumes			
Delivered each Month	.1411	3.1618	3.3029
<u>Delivery Service</u>	.1411	.8157	.9568

1/ The Gas Cost Recovery Rate, as shown, is an adjustment per Mcf determined in accordance with the "Semi-Annual Gas Cost Adjustment Clause" as set forth on Sheets 80 through 82 of this tariff.